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State Budgets Are Likely to Squeeze 2-Year Colleges

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Community colleges in nearly half of the states will probably face midyear reductions in their appropriations, according to a survey of members of the National Council of State Directors of Community Colleges.

The study paints a bleak picture of a widening fiscal crisis among state governments, which started in the most recent budget year and is expected to have a major effect on all higher-education sectors.

Among the survey's key findings:

- While the recession is getting the most attention, elementary and secondary education, along with Medicaid, ranked higher as key drivers of budget decisions.
- Eighteen of 28 states with community-college funding formulas failed to fully finance them in 2007-8.
- Of the various sectors of public education, including elementary and secondary schools, community colleges experienced the biggest one-year drop. 5.2 percent, in state appropriations from 2006-7 to 2007-8. During the same period, flagship universities saw a decline of 1.8 percent decline, and regional state colleges of 3.7 percent.
- 69 percent of respondents said rural community colleges would face the greatest financial strain from tight budgets, compared with 54 percent who said suburban community colleges and 46 percent who said urban community colleges.
- Of six key community-college functions, including general education and remediation, budget cuts are expected to have the greatest effect on vocational, occupational, and technical education and the fine arts. Vocational courses are often more expensive to offer, but community colleges receive additional state dollars for them.

"We're seeing a significant weakening in state budgets and the position of higher education," said Stephen G. Katsinas, a professor of higher education and director of the Education Policy Center at the University of Alabama, who, along with Terrence A. Tollefson, a professor in the department of educational leadership and policy analysis at East Tennessee State University, conducted the survey. (Although the results have not been formally published, Mr. Katsinas and Mr. Tollefson agreed to share the findings with *The Chronicle*.)

The down economy "is beginning to wipe out the good investments states made in the last few years," Mr. Katsinas said.

Chronic Budget Deficits

The survey, which covered every state but Alaska and New Hampshire, very likely fails to capture the full extent of the fallout from the financial crisis, because state directors started to respond in August, before the Wall Street collapse of mid-September. Indeed, of the 22 state officials who responded after September 18, more than half said the likelihood of a midyear budget cut was either high or very high.

"Those late-arriving responses were definitely more negative," said Mr. Katsinas.

But the survey also shows that longer-term trends in state budgets, and not just the current state of the economy, may shape higher-education appropriations for years to come. Three in five respondents said structural, or chronic, budget deficits in their states will hurt public colleges, particularly community colleges, in the future.

The main cause of those long-term deficits: state spending on Medicaid. In the wake of last month's Wall Street bailout, several governors are calling on Congress to provide a second federal stimulus package, aimed at helping the states. Any such plan needs to include help for Medicaid costs if higher education is to rebound, said James C. Palmer, a professor of higher education at Illinois State University, who directs the Grapevine Project, an annual survey on state-tax support for higher education.

"Medicaid, corrections, and K-12 impose incredible structural restraints on state budgets," he said. "We have been aware of these problems for some time, and over the last year, a growing number of folks in higher education have become more aware of how spending in these other areas causes pain for colleges."

Mr. Palmer said early returns from this year's Grapevine Project, which will cover the 2008-9 fiscal year, "are not good." Nine of the 37 states that have responded so far report declines in funds for higher education, ranging from .03 percent to 10.5 percent. Last year only one state, Rhode Island, had a decline, and 15 states saw double-digit percentage gains in state funds.

State Aid Lagging

State appropriations also include financial aid to students, and Mr. Katsinas and Mr. Tollefson found in their survey that state-based student aid is not keeping pace with tuition increases. Twenty-eight states said tuition increases since 2000 had outstripped increases in state need-based aid. Eleven states said need-based aid had not kept pace with tuition increases in the most recent budget that was passed.

Only four states said their need-based aid programs are financed well enough to allow low-income students "to work their way through college without debt." Twenty-one states said the percentage of students graduating with "significant loan debt" had increased in recent years.

Anecdotal evidence that higher gas prices may be causing declines in community-college enrollment was confirmed by the survey findings. Nearly one-third of respondents said they were concerned about part-time students dropping out because of gas prices.

Community-college leaders also worry about losing students being supplanted by other students who normally would have attended a public four-year college but were denied admission there because of enrollment caps brought about by tight state budgets.

"When students are pushed from the universities to community colleges, they push some community-college students out," said George R. Boggs, president of the American Association of Community Colleges. "Those students just don't go to college, or they can't get full class schedules, and it just stretches out the time to a degree."

Survey respondents in eight states said flagship universities had capped enrollment; those in four states said regional public colleges had done the same.

The full survey results [can be found here](#).

BUDGET CUTTING

Percentage of states that made mid-year budget cuts, by sector of education

	2006-7	2007-8
Flagship universities	7%	22%
Regional colleges	7%	18%
Historically black institutions	5%	17%
Community colleges	4%	19%
Elementary and secondary schools	0%	11%

SOURCE: Survey of National Council of State Directors of Community Colleges